

**UNEMPLOYMENT
INSURANCE
AGENCY**

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How Unemployment Benefits Are Charged To Employers

When a worker becomes separated from his or her job and files for unemployment benefits, the worker's past employer or employers will probably be charged for any benefits that may be paid. This fact sheet will explain some of the basic standards the Unemployment Insurance Agency (UIA) follows in charging unemployment benefits to employer tax accounts.

Some basic terms

Base Period: In most cases, the base period is the first four of the last five completed quarters prior to the unemployment claim's filing date. Unemployment Compensation uses the wages earned during the base period to decide if a worker will qualify monetarily for unemployment benefits. If the worker does qualify, the wages determine the weekly amount and duration of benefits.

Rework: A worker can requalify for benefits by going back to work and earning wages. A worker who quits a job without good cause attributable to the employer must earn 12 times his/her weekly benefit amount to requalify; a worker who is discharged for misconduct must earn 17 times his/her weekly benefit amount to requalify; a worker who is discharged for serious misconduct, such as assault and battery, theft, willful destruction of property, or drug offenses, must certify to 26 weeks of benefit entitlement, earn a certain weekly amount, or complete a combination of both certifying and earning the required weekly amount to requalify.

CHARGING PRINCIPLES

There are two basic principles about charging employers for unemployment benefit payments:

Employer charging principle #1

UIA charges the employer's account for benefits paid *unless* the employer shows that the worker was disqualified or would have been disqualified had a benefit decision been made.

Employer charging principle #2

If the separation from the most recent employer was disqualifying, then *no* employer is charged for benefits unless or until "rework" is satisfied. If the unemployed worker did **not** have a disqualifying job separation and had earnings from the separating employer of at least **(1)** 7 times his/her weekly benefit amount (WBA) **or** **(2)** 40 times the state minimum wage times 7 (\$2,072) then 100% of the first two weeks of benefits are charged to that employer. The base period employers are charged proportionately for the remaining weeks.

Calculating an employer's proportionate share of the benefit charges begins by determining the wages each base period employer paid the worker. Then the wages paid by each employer are compared to the total wages paid by *all* employers during the base period and a percentage is calculated for each employer. The percentage is the employer's share of each week's benefit charge.

EXAMPLE:

In this example, assume the worker has a weekly benefit amount of **\$118** and is entitled to **16 weeks** of benefits. The first two weeks are charged to the most recent employer (employer D), since the wages paid by that employer were greater than either criteria (7 x WBA **or** 7 x minimum wage x 40). The quarterly wages paid by each employer are shown:

Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 5	Qtr 6
A=\$350 B=\$150	A=\$500 B=\$900 C=\$1,500	A=\$250 B=\$250	D=\$500	LAG QUARTER D=\$1,750	FILING QUARTER D=\$2,100

-----BASE PERIOD -----

Each employer's proportionate share of the total base period wages:

Divide each employer's base period wage payments by the total base period wages of \$4,440. This gives the percentage of base period wages each employer paid to the worker.

Employer A = \$1,100 in wages paid \div \$4,400 = .25 = **25%**

Employer B = \$1,300 in wages paid \div \$4,400 = .295454 = **29.55%**

Employer C = \$1,500 in wages paid \div \$4,400 = .340909 = **34.09%**

Employer D = \$ 500 in wages paid \div \$4,400 = .113636 = **11.36%**

Each employer's share of the weekly benefit charges:

The percentages are multiplied against the unemployed worker's weekly benefit amount to determine employer's share of the charge for the unemployed worker's weekly benefit payment. In this example the unemployed worker's **weekly benefit amount is \$118**.

Employer A's benefit charge = 25% \times \$118 = **\$29.50**

Employer B's benefit charge = 29.55% \times \$118 = **\$34.87**

Employer C's benefit charge = 34.09% \times \$118 = **\$40.23**

Employer D's benefit charge = 11.36% \times \$118 = **\$13.40**

If after rounding the benefit charges do not total the unemployed worker's weekly benefit amount, the difference will be added to the charge of the employer with the largest charge.

Each employer's maximum possible charge

To determine the maximum possible benefit charging liability for each base period employer, simply multiply the weekly charge against the maximum entitlement less two weeks, because in most cases, the first two weeks of benefits are charged to the most recent employer. In this example, the **maximum entitlement is 18 weeks**, but the last employer (employer D) is charged 100% for the first two weeks of benefits. The base period employers are charged proportionately for the remaining **16 weeks**.

Employer A: \$29.50 \times 16 weeks = **\$472.00**

Employer B: \$34.87 \times 16 weeks = **\$557.92**

Employer C: \$40.23 \times 16 weeks = **\$643.68**

Employer D: \$13.40 \times 16 weeks = **\$214.40***

Total charges to the last employer's account:

Employer D was a base period employer and the most recent employer and paid the unemployed worker a sum greater than the rework amount. Consequently, employer D will be charged 100% of the first two weeks of benefits, in addition to his/her proportionate share of the total potential benefit liability.

*The **potential maximum charge** to employer D's account is **\$450.40**. [**\$214.40** (proportionate base period charge) + **\$236.00** (100% of first two weeks of benefits is \$118/week \times 2 weeks) = **\$450.40**.]

Important Point! As an employer, you are only charged for weeks of benefits jobless workers actually collect. In most cases, unemployed workers return to work before collecting the maximum number of weeks allowed on their claims.



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